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Mayor Kelly Announces City of Chattanooga Receives AAA Bond-Rating Upgrade

Agencies cite vibrant economy, improved city budget, strong fiscal management in new assessment that will lower borrowing costs

CHATTANOOGA (Nov. 18, 2021) — Chattanooga's bond rating has been certified as AAA, the highest possible rating, by both Fitch and Standard & Poor's. Chattanooga had not received the highest possible credit rating from Fitch Ratings since just prior to the Great Recession (2007), though the city was already rated as AAA by S&P.

The agencies cited recent capital and operating budgets passed by Mayor Tim Kelly's administration, the City's strong fiscal management during the COVID-19 pandemic, and the continued growth of Chattanooga's economy. Fitch and S&P are two of the three U.S.-based agencies that account for roughly 95% of global market share for all bond ratings.

"As we look to make once-in-a-generation investments in Chattanooga's infrastructure, this affirmation of our fiscal resilience means we're well positioned to build a stronger community at a lower cost to taxpayers," said Kelly. "The financial sector's confidence in our budget and economy will better position us to improve our streets, mass transit system, water and sewer infrastructure, parks and outdoor spaces, as well as critical public services—which together can unlock Chattanooga's true potential."

Kelly thanked the City of Chattanooga's Chief Financial Officer Daisy Madison for her many years of competent stewardship, and the City Council's commitment to passing a budget that will help the city to grow and prosper.

In its assessment, Fitch Ratings said Chattanooga is expected to "maintain strong financial resilience throughout the economic cycle," and that "Fitch expects fiscal performance to be consistent...given the city's history of conservative budgeting and maintenance of healthy reserves above its policy requirement."

Fitch also cited recent positive impact to the Chattanooga-area economy, attributed to: Volkswagen as it prepares to manufacture electric vehicles; the establishment of a downtown innovation district; an increase in various high-technology employers; and significant growth in both residential and commercial building activity.

In S&P Global Ratings' report, the agency cited Chattanooga's financial management as "very strong" and similarly cited Chattanooga's strong economy, business environment, workforce, and municipal budgetary performance and liquidity.

"Chattanooga remains on target to undergo significant economic and residential development during the next few years," the agency wrote in its assessment.

As a result of its newly strengthened bond rating, the city offered and sold Series 2021A and Series 2021B bonds on Tuesday. Nine competitive bids were submitted to purchase both series of bonds, with the winning bidder being Hilltop Securities at a true interest cost of 0.744570%.

This transaction resulted in a combined issuance of approximately \$40.6 million in new money and refunding bonds (\$15.1 million in new general obligation bonds; \$25.5 million in refunded G.O. bonds).

"Under Mayor Kelly's leadership, Chattanooga's fiscal health has never been stronger, and we're now in a great position to borrow at a lower cost going forward," said Daisy Madison, CFO for the City of Chattanooga. "Our new Fiscal Year 2022 budget lays the groundwork for critical new investments in capital projects and operations as we build the foundation of a more prosperous and equitable future."

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